

EUROPEAN PARLIAMENT

DELEGATION FROM THE EUROPEAN PARLIAMENT

for relations with the

UNITED STATES CONGRESS

Seventeenth Meeting

12-17 November 1980

Copenhagen and Strasbourg

SUMMARY OF THE WORKING SESSIONS

17 February 1981

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1. INTRODUCTION

Programme of the visit

I. PROGRAMME FOR UNITED STATES CONGRESS DELEGATION

Programme coordinators in Brussels:

EC Commission: Mr AARTS, DG I (tel 735 00 40)
US Mission: Mr GRIGG (tel 513 44 50)

Monday, 10 November

22.00 Arrival of United States Congress Delegation in Brussels
for contacts with the US Mission to the European Community
in Brussels, and other meetings

Tuesday, 11 November

Morning US Mission to the European Community:
Team briefing for United States Congress Delegation

Luncheon Given by the Commission of the European Community

Afternoon Briefing for the United States Congress Delegation given
by Members of the EC Commission in Brussels

Wednesday, 12 November

Morning United States Congress Delegation leave Brussels by
special flight for Copenhagen (arrival 10.20)

Welcome by Mrs Eva GREDAL, Chairman of the Delegation
from the European Parliament for relations with the
United States Congress

Transfer by coach to
Copenhagen Admiral Hotel
Toldbodgade 24-28
DK-1253 Copenhagen K
Tel (01) 11 82 82 Telex 15941 sch dk

15.00 - 16.30 Country team briefing for United States Congress Delegation
United States Embassy
Dag Hammerskjold Allee 24
Copenhagen
Tel (01) 42 31 44 Telex 22216

II. PROGRAMME FOR EUROPEAN PARLIAMENT DELEGATION

Programme coordinators in Copenhagen:

European Parliament: Théo JUNKER/James SPENCE (tel (01) 11 82 82)

United States Congress: Chips CHESTER (tel (01) 11 82 82 -
Admiral Hotel or
(01) 42 31 44 -
US Embassy)

Wednesday, 12 November

Afternoon Individual arrivals of Members of the European Parliament
Delegation for relations with the US Congress
(Reservations have also been made for the EP Delegation
at Copenhagen Admiral Hotel)

19.00 - 20.00 Internal preparatory meeting of the Delegation from the
European Parliament for relations with the US Congress
Room B (ground floor)
Copenhagen Admiral Hotel

III. JOINT PROGRAMME

Wednesday, 12 November

20.00 Reception given by Mrs GREDAL, Chairman of the European
Parliament Delegation for relations with the United States
Congress
Room A (ground floor)
Copenhagen Admiral Hotel

Thursday, 13 November

(Breakfast will be served each day in Room A)

08.45 Delegations leave hotel for
The Danish Parliament buildings, Folketinget
Room: Landstingssalen
Christiansborg
1218 Copenhagen K
Tel (01) 11 66 00

09.00 - 12.30 First Working Session of Delegations
- Exchange of views on political matters:
a) European Community and United States views on
East-West relations (Afghanistan, Eastern Europe)
and multilateral resource matters
b) EC and US views on how, when and to what extent
they should act in concert and how, when and to
what extent they should act independently
(See Draft Agenda PE 69.248)

12.30 Delegations are welcomed by the Speaker of the Danish Parliament, Mr K.B. ANDERSEN

13.00 Coach leaves for
Moltkes Palæ - Guldsalen
Dronningens Tværgade 2
Tel (01) 14 80 66

13.15 Working luncheon given by the Speaker of the Danish Parliament, Mr K.B. ANDERSEN, in honour of the Delegations from the European Parliament and the United States Congress

15.00 - 18.00 Second Working Session of Delegations
- Continuation of exchange of views on political matters of mutual concern
Landstingssalen
Folketinget

18.00 Transfer by coach to hotel
Own arrangements for dinner

19.30 Transfer by coach to Royal Danish Theatre (Old stage)
DET KONGELIGE TEATER (Gammel scene)
Kongens Nytorv
1050 Copenhagen K
Tel (01) 14 17 66

20.00 Delegations attend the Opera 'The Barber of Seville' by Rossini (performed in Danish by the Danish Royal Opera Company)

23.00 approx. Following the Opera transfer by coach to hotel

Friday, 14 November

08.45 Delegations leave hotel by coach for
Landstingssalen
Folketinget

09.00 - 11.45 Third Working Session of Delegations
- Review of the Madrid Conference on the CSCE Helsinki Agreement, and in particular on human rights and humanitarian and other cooperation, and on cooperation in the field of economics, of science and technology, and of the environment

12.00 Meeting with the press
Landstingssalen
Folketinget

13.00 Working luncheon given by Mrs GREDAL in honour of the visit of the United States Congress Delegation
Folketingets Restaurant
Christiansborg (Tel (01) 11 66 00)

14.30 - 17.00 Fourth Working Session of Delegations

- Exchange of views on EC - US trade, monetary and energy matters
- Summary and conclusions

17.15 Coach leaves for hotel

17.50 Coach leaves hotel for

18.15 - 19.45 Reception given for the Delegations and spouses by Mr Arthur H. HUGHES, Chargé d'Affairs, United States Embassy in Denmark, in the absence on mission abroad of the US Ambassador H.E. Mr Warren D. Manshel, at his residence

Strandvejen 190
2920 Charlottenlund
Tel (01) 63 59 30

20.30 Dinner given by Mr Erik HOLST, Minister of the Environment, on behalf of the Danish Government, on the occasion of the Seventeenth Meeting of Delegations from the United States Congress and the European Parliament

Langelinie Pavillionen
Langelinie
Tel (01) 12 12 14

Saturday, 15 November

Morning Free for shopping and/or sightseeing

Lunch Free

14.00 - 16.30 Optional guided sightseeing tour by coach
(Grand Copenhagen Tour)

Evening Free

Sunday, 16 November

09.00 Coaches leave hotel for visit to a Danish farm

Lunch on route

Return to hotel

16.30 European Parliament Members and Staff leave hotel for Copenhagen Airport

18.10 Depart Copenhagen on flight SK 609 to Basle.
Onward coach journey to Strasbourg arriving 23.00 approx.

Monday, 17 November

09.00 - 10.30 United States Congress Delegation transfers to Strasbourg by special plane.
Welcome by European Parliament Representative and by Mr Denis LAMB, Deputy Head of the US Mission to the EC in Brussels.

Transfer by coach to Strasbourg city.

11.15 - 12.15 United States Congress Delegation has contacts with the Local Strasbourg Authorities

13.00 - 14.30 Official luncheon given by Mrs Simone VEIL, President of the European Parliament, in honour of the visit of the United States Congress Delegation
Restaurant Valentin-Sorg
6 Place de l'homme de fer
Strasbourg (tel 32 12 16)

15.00 US Congress Delegation arrives at
European Parliament (main entrance)
Palais de l'Europe
Allée de la Robertsau
67 Strasbourg
Tel 37 40 01 Telex PAREURO F 890129

Between
15.00 - 17.00 Contacts between members of the
Delegations and members of interested committees
Room 2, Floor 2, Tel 3092

17.00 - 17.30 US Congress Delegation attends plenary session in the distinguished visitors' gallery and is welcomed by the chairman of the session

18.00 Coach leaves European Parliament at Palais de l'Europe for Strasbourg-Entzheim Airport

19.00 US Congress Delegation leaves Strasbourg by special flight for onward destinations

List of Members of the European Parliament Delegation

Mrs Eva GREDAL, Chairman of the Delegation,	Socialist, Denmark
Mr Vincenzo GIUMMARRA, Vice-Chairman	European People's Party, Italy
Mrs Sylvie LE ROUX, Vice-Chairman	Communist, France
Mr Heinrich AIGNER	European People's Party, Germany
Mr Dario ANTONIOZZI	European People's Party, Italy
Mr Roland BOYES	Socialist, United Kingdom
Miss Sile DE VALERA	European Progressive Democrat, Ireland
Mr Maurice FAURE	Socialist, France
Mr Erwin LANGE	Socialist, Germany
Mr Erdmann LINDE	Socialist, Germany
Mrs Louise MOREAU	European People's Party, France
Mr William NEWTON DUNN	European Democrat, United Kingdom
Mr Jørgen BRØNDLUND NIELSEN	Liberal, Denmark
Mrs Tove NIELSEN	Liberal, Denmark
Mr Jean PENDERS	European People's Party, Netherlands
Mr Horst SEEFELD	Socialist, Germany
Mr Alan TYRRELL	European Democrat, United Kingdom
Mr Karl von WOGAU	European People's Party, Germany
Mr Mario ZAGARI	Socialist, Italy

List of Members of the United States Congress Delegation

Mr Donald J. PEASE, Chairman	Dem. Ohio
Mr Larry WINN Jr., Co-Chairman	Rep. Kansas
Mr Floyd J. FITHIAN	Dem. Indiana
Mr Frederick W. RICHMOND	Dem. New York
Mr Anthony Charles BEILENSON	Dem. California
Mr Bruce Frank VENTO	Dem. Minnesota
Mr John William STANTON	Rep. Ohio
Mr Chalmers P. WYLIE	Rep. Ohio
Mr Bill FRENZEL	Rep. Minnesota
Mr Edward R. MADIGAN	Rep. Illinois
Mr E. Thomas COLEMAN	Rep. Missouri
Mr William M. THOMAS	Rep. California
Mr Norman D. SHUMWAY	Rep. California

Political Matters: EEC & US views on East-West relations and multilateral resource matters

Mr LARRY WINN (R. Kansas), Vice Chairman of the US Delegation, introduced his paper on East-West relations: present and future.

The paper dealt with the situation for the West arising from the control of energy sources by the USSR, which Mr. Winn claimed would break up NATO, as Soviet controlled oil could be sold to some, but not others, of NATO countries at high prices. Mr Winn continued by appealing to the Western allies of the United States to undertake a joint Western effort in the Gulf of Persia in order to show the resolve of the West to withstand Soviet expansionism.

Mrs MOREAU (EPP) said that United States policy was still in flux. A majority supporting the Government in the French Parliament still believed in a partnership with the United States; she agreed almost entirely with Mr WINN, but there were many different ways in Europe of achieving the same objectives.

Mr E. THOMAS COLEMAN (R Missouri) said that under President Reagan foreign policy would be more consistent and would seek to discover the views of European countries so that Europe could take its full responsibilities in joint Western initiatives.

Mr PENDERS (EPP) agreed with Mr Winn that the United States had been wrong to take unilateral action in certain cases in the Middle-East. On the basis of the Diligent Report, the question of protecting supply routes to Europe would be debated soon in the EP and the hope was that these routes could be safeguarded by coordination with NATO, the USA and the Third World.

Mr IANGE (Soc) thought that Mr Winn's paper was more appropriate to a NATO meeting. The relationship between the USA and the USSR was to him less important than relations with the Third World. Military power would not solve world problems, but economic forces could do and neither the USA nor the EEC had done enough to improve relations with the Third World. He thought it would be wrong to extend NATO to the Middle East, and this had not even been proposed by the USA.

Mr TYRRELL (ED) made four points in reply to Mr WINN. He criticised first the vacillation of US policy, and said it was difficult to see the purpose behind it. Thirdly he agreed that there had been a dangerous acceptance by US opinion of the Russian invasion of Afghanistan. Fourthly he asked what the US policy was as regards Afghanistan. Was it perhaps to supply to medical aid and arms to the resistance movements there? On the hostages issue in Iran, he thought that the US and her allies had not succeeded with a policy of the iron fist at one moment and the gift at another.

As regards Poland, Mr Tyrrell said that the success of the free trade union movement could be the most important development in two decades, as the movement was acting almost as an alternative government. The more success they had in improving the economy, the less danger of Soviet intervention, as economic success in Poland was essential to East Europe as a whole.

Mr NEWTON DUNN (ED) said that the role of the Community in the Middle East should be based on three elements, which were to make no military intervention; to bring united political pressure to bear through EPC; and to reduce its dependence on Middle East oil. He felt there was a consensus in Europe on the Soviet threat to the Gulf, but asked whether Russia should not be able to buy oil from the Arabs as well. He felt the best method of meeting the Soviet threat was to support human rights in Eastern Europe.

Mr FLOYD J. FITHIAN (D Indiana) supported

Mr Winn's thesis on the need for a joint Western effort in the Gulf. He maintained that the US had not changed its policies as regards NATO nor had President Carter altered his human rights policies. He also thought that President Carter would have been wrong to consult the West on the rescue mission to the hostages. He agreed with Mr Winn that Mr Reagan would insist on the 3% increase in defence spending called for by NATO starting in 1981.

Mr WILLIAM M. THOMAS (R California) said there was a real strategic threat to the Middle East from Soviet forces in Afghanistan. He disagreed with Mr Lange that economic forces were more important than military ones and asked what the position of Western Europe was on East-West relationships, and also what specific steps were being taken by the West to counter the Soviet military threat to the Middle East.

Mr BRONDLUND NIELSEN (Lib) said the majority of the Danish Parliament wished Denmark to increase its defence expenditure by 3%. Mr Nielsen recalled that the West had established a Naval force with European elements in the Indian Ocean and that the German Navy had increased its patrols in Norwegian waters to replace the naval forces from NATO which had been transferred to the Indian Ocean. Although the Communists had been successful in putting forward a neutralist programme of disarmament in Denmark the Danes would participate if a crisis came within NATO.

Mr LINDE (Soc) disagreed with Mr. Thomas that military strength should be used to enforce economic and social policies. He backed the mission by Mr Thorn to the Middle East. He thought that the West should exploit alternative energy resources to oil. On Poland he thought that the many contacts between West and East Europe had helped to create the situation at present existing in Poland. For him this was a positive aspect of détente.

Mrs MOREAU (EPP) said the French defence budget was to be increased by 20% in 1981. . She agreed with Mr Penders that the sources of raw materials, especially in Africa, as well as oil should be defended and protected by the West.

Mr VENTO (D Minnesota) disagreed that the Carter foreign policy had included vacillations and warned against the policy to be pursued by President Reagan. He thought that the Community had failed to take initiatives in response to the Soviet invasion of Afghanistan, whereas the USA had imposed a grain embargo and also boycotted the Moscow Olympic Games. He called for a total commitment by Europe on a global basis to protect the interests of the West as a whole.

Mrs GREDAL (Soc), Chairman of the EP Delegation, said that for many years Denmark had enjoyed strong cooperation with the USA and wished this to continue. The Community was a new entity comprised of nations with very different backgrounds. Although security questions were discussed with some caution in the Parliament, a large minority of members were opposed altogether to such discussions

Mr WINN summed up the debate by saying that the Western reliance on oil from the Gulf would continue, whereas the USSR lacked hard currency with which to buy such oil. A peaceful solution to the Arab-Israeli conflict was essential, but was not the key to the solution of the conflict between Iran and Iraq, or to the invasion of Afghanistan.

Mr ZAGARI (Soc) summed up by saying that the spirit of Helsinki existed only in Western Europe. It was for the USA to take account, in cooperation with the EEC, of the independent positions of the Member States within the Community.

Views of Delegations on joint and independent action on political matters

Mr DON J. PEASE (D-OHIO), Chairman of the U.S. Delegation, introduced his paper on the United States and Western Europe : facing common challenges.

The paper dealt with a diagnosis of current Alliance relations, including the situation in Afghanistan, a response to the crisis, the views of the US and the Community on détente, the role of the US in the Alliance, an independent role for Western Europe, and the search for a consensus and a coordinated NATO strategy.

Mr FAURE (SOC) analysed the relations between the USA and the Community. He pointed out that while on the one hand the USA was more powerful, the EEC had a long frontier with Eastern Europe and was itself part of Europe. It was also heavily dependent on imported raw materials. The Europeans thought that the US some times rushed into a cold war situation or into talks with the Russians without prior consultation, whereas the United States regarded the Community as little Europe, which had occasional involvements with areas outside. / The military strength of the USSR was however balanced by its economic weakness in agriculture and in transport infrastructures. Thus the West should not be hypnotised by the military strength of the USSR alone.

Speaking of détente, Mr FAURE said that for the USA it was a code of conduct within a nuclear strategy, while for Europe it was a method of understanding others in Europe and outside. Europe believed for example that liberty was more contagious than coercion, and the proof of the validity of this was beginning to appear in Poland. On the other hand it would be wrong to neglect the symptoms of decline in the West, such as falling population levels,

criticisms made against Western civilisation, the incidence of terrorism, and failure in the technological revolution. All these factors produced the result that whereas the Third World used to copy the West it now did not do so and the West's influence in the United Nations had correspondingly declined.

Consultation between the USA and the Community must be improved and to be effective it must be in advance, discreet and reciprocal. But the questions which remained outstanding were at what level consultation should be carried out, between which of the partners (possibly a variable geometry approach would be best), and whether it should be institutionalised or not. He remained convinced that Europe would distinguish between détente and neutralism and would remain a member of the Alliance, but to be so it must be prepared to tolerate differing views on the side of the United States.

Mr FREDERICK W. RICHMOND (D-New York) posed two questions to the EP Delegation, as follows -

- 1) Why does the EEC spend less on defence than the USA?
- 2) What is the attitude of the European Parliament towards an embargo on exports to the USSR?

MRS MOREAU (EPP) argued that détente had enabled a little movement in the situation in Poland, which had not been pushed too far by the Poles. She thought that détente was indispensable both to East Germany and Poland but peace with the USSR at any price remained unacceptable, and it was necessary to reconcile détente with this principle.

Mr. AIGNER (EPP) said that in Poland the leader of the Free Trade Union, Mr Walesa, had been able to control the forces in the workers' movement, because of the influence of the Roman Catholic Church in Poland and of the attitude of people in Western Europe. Détente had therefore achieved the opposite of what originally had been sought by the West in his view. He would have preferred ^{that} Western loans to East European countries should have been given on strict conditions and Western aid given in the form of cereals, butter or beef, as

credits had been used to buy arms. The Pope and the Community were using détente to encourage freedom of thought and expression in the USSR, which feared an intellectual confrontation.

The EP had been the first Parliament to call for a boycott of the Moscow Olympic Games, and had made clear statements on Iran and Israel. Support for the Afghan dissidents was a political weapon which should be used by the Alliance. He thought that NATO should be more political but that this attitude could only be based on consultations with the USA.

Mr SEEFELD (SOC) thought that détente was a matter of life and death. The SPD had tried to improve relations with Eastern Europe, in particular by human contacts. The Polish Free Trade Union leaders had benefitted from the Final Act and from détente. Mr Seefeld wondered whether the United States followed European affairs as closely as it might do.

Mr E. THOMAS COLEMAN (R-Missouri) argued that the embargo on exports to the USSR imposed after the Afghan invasion was seen by dissidents as an attack on the Soviet people rather than on the Soviet Government. He argued that if food aid was given to Eastern Europe it might very well not be used there but in the USSR instead.

Mr von WOGAU (EPP) said that it was difficult for the EEC to understand how and why some decisions had been taken in the USA, and for the US Government to know why the EEC appeared to be unable to reach decisions. He recalled the main objectives of the EEC, which were a European common market, a common currency, a common foreign policy, and a role in defence coordination. The more difficult the economic situation became the further away did European Union appear

Mr PENDERS (EPP) thought that if an embargo was imposed it should be effective, otherwise it would rebound. He thought the existing trade embargo was basically effective, and that if food aid was denied to the USSR it might bring pressure on that country to respect international agreements.

Mr TYRRELL (ED) thought that there had been a shift in the last few months in European opinion, as members of the EP who had argued six months ago that détente was indivisible were now arguing that it should be made to work wherever possible. He thought this was dangerous because it would cause a great gulf between the US and the Community. A second point was that the more Western Europe depended on trade with the East the more difficult it was for the West to react openly on East/West relations, an example being the reliance of some Member States on Eastern Europe for energy supplies. In his view détente had played no part in the developing situation in Poland, which had come about because of economic difficulties in Poland and of Soviet pre-occupation with Afghanistan. He answered the two questions put by Mr Richmond by saying that Europe contributed less to defence costs than did the USA because NATO had been formed in 1951 when the European countries were much poorer than they are today. In answer to the second question he agreed with Mr Penders that the embargo on exports to the USSR should be continued.

Mr FLCYD J. FITHIAN (D-Indiana) argued that under President Reagan a détente policy was less likely than in the past and it was likely that a request would be made to the Soviet Union for a renegotiation of the SALT II Treaty. On the other hand if the European allies were to increase their commitment to NATO, President Reagan would be reassured that détente could be continued. President Reagan was opposed to communism but because of this he had in fact more flexibility to create policies than would a Democratic President. For example President Nixon had been free enough to open relations with China.

Mr William M. THOMAS (R-California) said there was unanimity in the United States that the strength of the Western alliance lay in its ability to differ, and that its safety was threatened when one side did not perceive the other as an equal partner because of divisions within the government of that partner.

Mr Don J. PEASE (D-Ohio) summed up the discussion by saying that preconsultation went somewhat against the democratic traditions of the alliance. He went on to propose a process of consultation as follows -

1. An analysis of the problem
2. A decision on the overall objectives of the alliance
3. Actions which could be undertaken in common
4. A need to establish the extent to which each nation was free to act, and to inform the public of such areas so that different responses within the alliance were not perceived as differences between its members. If agreement were lacking, the effects of this failure must be minimised.

The second main task to undertake, once the process of consultation had been determined, was to create a framework within which consultations could be carried out.

Mr FAURE (Soc) summed up on behalf of the EP delegation by saying that aid did not necessarily imply intervention in the political affairs of another state, but could now help the free trade union Solidarity in Poland to achieve its objectives. He agreed with Mr FITHIAN on the embargo, as history had shown that all embargoes were useless. It was essential to remember the lessons of the second World War and the post-war period in Europe in order to understand differences between countries and people in Western Europe on issues such as neutrality, and détente.

Review of the CSCE Madrid Meetings

Basket I - Principles on Human Rights

Mr Floyd J. FITHIAN (D. Indiana) US Delegation, introduced his paper on Human Rights and the Helsinki Final Act: a US view.

The paper dealt with the importance of the Final Act, implementation by the USA (including the work of the US Commission on Security and Cooperation in Europe) and the prospects for the Madrid Review Meeting. The conclusion stressed the importance of Basket III of the Final Act (cooperation in humanitarian areas, facilities for journalists and cultural and educational exchanges).

Miss de VALERA (EPD) introduced her working document (PE 69.223) on the EEC position on human rights at the Madrid Conference.

Mrs LE ROUX (Comm.) attacked violations of human rights in France, Spain and Portugal and in Germany as regards the 'Berufsverbot' or check on Communists in the public service. She defined the right to eat, to learn and to work as human rights and said they were denied to many in the USA.

Mr LANGE (Soc) denied the existence of the Berufsverbot, but said that the experience of the Weimar Republic led the German Government to be cautious in employing public servants. He thought contact with the Eastern bloc should be maintained, and that human rights should continue to be discussed by the delegations

Mr BOYES (Soc) thought that discussion should centre on unemployment and the poor in the EEC and USA, rather than on attacks on the USSR, with which talks should continue on détente and trade. In any case, the EP was not competent on the Madrid Conference.

Mr Bruce Frank VENTO (D.Minn.) said the US sought help to maintain military bases round the world, the cost of which was increasing inflation in the US.

Mrs MOREAU (EPP) agreed with the Fithian and de Valera papers and thought that the Madrid Conference must be persevered with in order to safeguard détente.

Mr LINDE (Soc) saw no difficulty in personal views being expressed, even if some matters might be outside the competence of the EP. He agreed with Mr Boyes on the need to fight unemployment and to strengthen social security in the EEC, but criticised his attacks on the USA.

Basket II - Economic Cooperation

Mr von WOGAU (EPP) introduced the debate by making three points:

- 1) Although trade with Eastern Europe was important to some Western countries, it was limited by the foreign currency available to the Eastern bloc, and barter had therefore to be used.
- 2) Butter sales by the EEC to the USSR had been attacked as being costly to EEC citizens.
- 3) The EEC and USA should discuss rules to avoid sales of goods to the Eastern bloc which could be used for military purposes.

He felt that an economic boycott was an unsuitable weapon and that implementation of Basket II should be pursued. Mr von Wogau then drew attention to the following points from the Rumor report on the Madrid meeting of CSCE:

- a) the need to improve cooperation on environmental matters;
- b) the need to aid small businesses to sell to the Eastern bloc;
- c) cooperation on energy supplies should be improved;
- d) development aid should be increased by East and West to 0.7% of GNP.

Mr Norman D. SHUMWAY (Rep. Col.) thought that issues such as détente, the Gulf and Poland were well beyond the competence of the delegations and should be discussed by the North Atlantic Assembly; CSCE issues could be discussed however. He preferred to discuss EEC-US cooperation on inflation, energy matters and trade.

Mr Edward R. MADIGAN (Rep. Ill.) thought that the EEC should do more to face up to the Communist threat, as refugees from Communism were filling up immigration quotas in the USA.

Mr AIGNER (EPP) replied that world Communism posed a threat to the status of individuals. He agreed that Europe should work out new concepts and show the political will to adopt them in order to beat back the Communist threat.

Mr LANGE (Soc) recalled that there were many dictatorial régimes outside the Eastern bloc, such as in Pakistan, Chile and the Argentine. Democratic countries should dissociate themselves from these and from African countries where human rights were violated.

Mr FITHIAN and Miss de VALERA then summed up the debate briefly.

Fourth Working Session

Meeting on the afternoon of Friday, 14 November (Copenhagen)

Mr STANTON led off the talks on monetary topics, referring to the document entitled 'The International Monetary System at the Crossroads', which had been distributed to the participants.

The International Monetary Fund (IMF) was not experiencing a crisis, but was under severe strain; firstly since most countries had not taken appropriate action to adapt to higher energy prices, secondly because of the size of the balance of payments surpluses and deficits involved, which required much recycling of capital, and thirdly because none of the major countries could boast of vigorous economic growth.

The USA had put through the 'Seventh Quota Increase', but that alone would hardly be sufficient in the longer term. Mr STANTON preferred that any further increase in the IMF's funding should take the form of a direct loan from the OPEC countries, which were running large balance of payments surpluses; the failure of that solution as yet to find favour was partly due to the problem of observer status for the PLO at the IMF. The alternatives would be to raise money directly on the private capital market or to increase the quotas.

A further problem with the IMF was that many developing countries, which in the past had covered their balance of payments deficits largely by borrowing on the private market, were now finding it difficult to obtain sufficient funds by this means. They were therefore increasingly turning to the IMF, but, in doing so, they were attempting to persuade the IMF to grant them loans on easier terms.

Referring to the dollar's international role, he pointed out that a desire to see a more solid reserve currency within the international monetary system had been expressed in some quarters; however, the problem was not particularly acute at the moment in view of the dollar's recent gain in strength. In this connection, gold was attracting a good deal of attention in the United States, from President Reagan's advisers in particular.

Mr STANTON had read the Committee on Economic and Monetary Affairs' report on the European Monetary System as an aspect of the international monetary system (rapporteur: Mr RUFFOLO, Doc. 1-63/80) with great interest, but said that he would also like to hear the views of the European Parliament delegation on the EMS.

In conclusion he pointed out that during the discussion of increased defence expenditure it should be borne in mind that many European countries gave relatively far higher aid to developing countries than did the USA.

Mrs GREDAL agreed that defence expenditure could not be considered in isolation.

Mr LANGE took up this theme, pointing out that monetary and related economic matters were more important than arguments over percentage points of defence spending. If the economy was not right, no real improvements could be made in defence, in terms either of quantity or quality.

He regarded the EMS as an expression of the Member States' will to pave the way for greater coordination of their monetary policies, which, however, would be possible in the long term only if they also aligned their economic policies towards common objectives (while allowing the individual Member States to take different paths, to attain them). But it was not enough for the Community to agree on monetary policy; at top level international meetings Japan, the USA and the Community had to do more to harmonize their interest rates and money supply policies. The present speculation against the German mark was a good example of how political circumstances could combine with differences in national interest rates to produce exchange rate disturbances.

If they wanted greater international monetary stability the industrialized countries had to agree as to how the developing countries' needs for finance were to be met. Rather than creating new Special Drawing Rights within the IMF, which would increase international inflation, Mr LANGE hoped to see negotiations with OPEC; it should no longer be left to them alone to decide where their surplus oil millions were to go.

On the role of the IMF he pointed out that no national currency was now capable of acting as a leading or reserve currency; the role of the SDRs would therefore have to be expanded. This and their stabilization depended on the industrial countries' stabilizing their own economic bases which in turn would only be possible if they, in the course of an international division of labour, were to allow the developing countries to develop their own production capacity, and increase their trade in goods and services with the industrialized countries. The fate of the USSR and its sphere of influence also depended on how the North-South conflict was settled.

He saw no future in a full or partial return to the gold standard; that would enable the gold producing countries to 'play' the international currency markets.

In conclusion, Mr LANGE proposed that the delegations should each appoint one or two members to draw up a joint paper as the basis for their further

discussion of monetary affairs. Parliamentarians should no longer leave decisions on economic and monetary matters to the heads of state and government alone. This paper could then be tabled for debate in the US Congress and the European Parliament (like the earlier LANGE-GIBBONS Working Document on multinational enterprises and governments).

Mrs GREDAL took note of this request for a joint paper; the chairman of the two delegations would discuss the matter.

Mr RICHMOND asked when a common European currency could be expected. Mr von WOGAU found this difficult to answer; he described the development of the EMS, which was more flexible than the old Bretton Woods system. The EMS had worked quite well, but of course it had not yet come under serious pressure.

If the ECU were to develop into an actual currency, on the one hand a central, autonomous, monetary institution would have to be set up, and the Member States would have to conduct a closely coordinated stabilization policy, especially in respect of inflation. Only then would it be possible to talk about a common currency.

Mr LANGE added that the EMS and its instruments were not such a complete novelty as they might appear at first sight. He referred to the credit facilities set up in the early 1970's, and the talks on pooling foreign exchange reserves which dated back to the same period. Greater monetary cooperation within the Community had therefore been under discussion for more than half a decade before the establishment of the EMS. The next step would probably be for the ECU, from a unit of exchange and account, to become an actual unit of payment between the institutions and Member States of the Community. After that, it would still be several years before the ECU could be used as a unit of payment in the private sector. He could not give a more precise estimate of when the Community would reach that stage.

Mr STANTON welcomed the prospect of a strong and expanded EMS; it would benefit not just the USA but the whole world. For years the US dollar had been a kind of flagship on foreign exchange markets, but the Americans were realists and would not be too sorry to see the rôle of the dollar reduced. In particular, the high US interest rates required in view of the dollar's rôle as a reserve currency were creating serious domestic problems.

Mr STANTON felt that more time should be set aside for the two delegations to discuss these matters further, but he reserved his judgment on the desirability of adopting a joint paper for debate in the US Congress.

Many members of the Congress had been showing greater interest in discussing monetary policy, including the role of the IMF and other international credit institutions, but historically the Congress had always avoided playing a partisan role in its relations with the US administration concerning monetary policy. Another point was that the committee which was assessing the role of gold would not be reporting for another 18 months.

Mrs GREDAL said that the EEC side also wished to allot more time to this topic at the next meeting of the delegations, but stressed the need for thorough preparation of the talks. The assistance of the relevant committees of the European Parliament might be called in.

Mrs MOREAU drew attention to the background document by the European Parliament's Committee on External Economic Relations on EEC-USA trade relations. With reference to the bilateral problems described in this document she asked the American delegation a number of questions, in particular on:

- the possibility of reducing the EEC's trade deficit with the USA;
- the implementation of the GATT agreements by the U.S. Congress;
- measures by U.S. Congress to prevent protectionist tendencies;
- legislative steps to promote exports by the U.S. Congress;
- the U.S. position on an extension of the Multifibre Arrangement;
- the nature and extent of parliamentary contacts between Japan and the USA.

Mr NIELSEN concentrated his remarks on trade in agricultural produce between the EEC and the USA and outlined the range and pattern of the products involved. He voiced particular concern about the EEC's growing deficit in this area.

He also stressed the importance of certain individual issues such as agreement on and application by both sides of veterinary regulations in trade, the question of additives such as oestrogens to feedingstuffs and the implementation of the grain embargo on the USSR. On this last point he emphasised the need for a joint approach and for a decision on a future course of action in this area.

Mr FRENZEL took up the questions on EEC-USA trade relations and explained that:

- the American delegation was aware of the problem of the EEC's growing deficit with the USA but could not for the present offer any suggestions on measures to reduce it;
- the implementation of the GATT agreements was kept under supervision by the American government;
- the American Congress was against protectionism in all its forms, but success in this area also depended on the actions of the other main trading nations;
- the problems connected with the oil-price subsidy in America and its repercussions on trade in textiles could be solved when the relevant laws expired;
- in the current situation the new trigger price mechanism for steel was the most workable solution to bilateral problems in this sector;
- the decision of the International Trade Commission had averted the danger of protectionism in trade in motor vehicles;
- the USA's future course of action with regard to the grain embargo would have to be determined by the new government;
- discussion of the question of the promotion of exports would have to take place in GATT or the OECD;
- despite its protectionist aspects, the Multifibre Arrangement was preferable to separate bilateral agreements for each country and its extension for a further period should thus be supported.

He also referred to the different rates of import duties in the EEC and the USA and deplored the still large number of non-tariff barriers to trade, including the veterinary regulations mentioned by the previous speaker.

Mr BOYES drew attention to the United Kingdom's serious unemployment problem and stressed that the American oil subsidy and the competitive edge which this gave to American industry were causing further losses of jobs in Britain. He called on the Community institutions to take appropriate protective measures in GATT.

Mr VON WOGAU made a number of comments on internal Community measures in the steel sector and on the functioning of the new quota system.

He referred to the growing concern of the Member States about the strong pressure of Japanese car imports on the Community market and the way they had reacted and the measures they had taken.

He expressed his general concern about the growing number of cases of dumping which would increase if protectionist tendencies in the Community were to become more marked.

In the area of non-tariff barriers to trade he considered that closer coordination between the EEC and the USA with regard to Japan was imperative.

Referring to the dumping issue Mr LANGE reminded the meeting of the clear definition of 'dumping' in the GATT agreement and the catalogue of measures which it also contained.

EXCHANGE OF VIEWS ON ENERGY

Mr MADIGAN (Rep. Illinois) introduced the paper which he had submitted. He pointed out that oil, with a 47% share of total consumption, was the United States' major source of energy. However oil imports had been steadily falling since 1977. In 1980 the import rate was likely to be down by -30%. He also welcomed the fact that energy consumption in the USA was declining - though for a variety of reasons. He felt that European criticism at the USA's continuing high per capita consumption was constructive. It should be remembered, however, that the United States was faced with the problem of long distances and wide fluctuations in temperature. What was more, only 3% of the population was employed in agriculture; the rest worked in industry. The unemployment rate was running at 7.7%, just as high as it had been when 30% more oil was being imported.

He described the considerable efforts which were being made in the USA to finance the tapping and development of new sources of energy. Nuclear energy already accounted for a large share of consumption in certain regions; for example in Illinois and in the area around Chicago in particular. The accident at the Three Mile Island plant had not proved dangerous but had unfortunately been a major set-back to the nuclear energy programme. All in all, he concluded, current American energy policy could be said to be at a stage where every effort was being made to improve prospects for the future. He hoped that the same could be said of Europe.

Mr LINDE pointed out that while Europe, like the USA, was very heavily dependent on oil, the actual extent varied greatly from Member State to Member State. There were also widely different ways of reducing this dependence. France, for example, was putting a great deal of effort in the nuclear energy sector, whereas Denmark had so far shunned the development of nuclear energy entirely. There was thus no common energy policy in the Community although there was a certain concurrence with regard to objectives. These included primarily the movement 'away from oil', then energy-saving and finally the promotion of alternative sources of energy. Europe, too, had the problem of the sheer size of the investment needed in the energy sector. He inquired in this connection how the next US government proposed to solve the problem of reconciling higher defence spending, lower revenue from taxes and a balanced budget. In Europe energy saving was regarded as 'the most important source of energy'. With perseverance in this area, a great deal could be achieved through voluntary changes in the pattern of consumption, tax incentives and concessions and legislation. The USA and Europe should trade their experience in the area of energy saving. The Community's targets for 1990 were savings of between 15% and 30% in industry, 20% to 35% in transport and up to 50% in household consumption.

The fact that the Community's overall dependence on oil was expected to decrease from 61% in 1973 to about 50% by 1985 or possibly even sooner, could be seen as an initial success. For the foreseeable future oil was likely to be indispensable for the car industry and as a base product for industry. Efforts should be made to dispense with oil as a source of heating. The search for further deposits, in the North Sea for instance, was meeting with success. He stressed the importance from the European point of view of the deregulation of the prices of oil and oil products in the USA. The further development of nuclear energy was linked to the need for progress in the area of waste disposal. This might be a field where Europe and the USA could undertake joint research projects.

In connection with the recent INFCE conference he spoke of the problems surrounding the non-proliferation treaty. He saw a certain inconsistency in the US's treatment of India and Euratom and asked whether the planned build-up of a larger strategic plutonium reserve might not under certain circumstances lead to shortages on the world market. He also enquired about the American position on fast breeders and high temperature reactors.

Other sources of energy, for which joint research schemes could be and have been undertaken, were the sun, biomass and wind. In the coal sector there was great scope for future cooperation. The USA had such vast deposits that they could supply the world market. Production would admittedly have to be raised substantially for this to happen. In addition to the problems of extraction there was the difficulty of setting up the necessary infrastructure base arising from the huge scale of investment needed. Coal liquefaction should be further developed so that coal is not used only for heating. Problems relating specifically to coal should be discussed at a world coal conference in which governments, industry and unions should take part.

Summing up, Mr LINDE said we should not rid ourselves of our dependence on oil only to succumb to dependence on nuclear energy or coal alone. Energy policy was a field in which we had common problems and thus lent itself readily to the exchange of ideas and experience.

Mr WYLIE (Rep. Ohio) drew attention to the special problems of the car industry, with reference to the example of Chrysler. General Motors and Ford too had made enormous losses, which posed a threat to free trade. Japan and even Europe, he said, were occasionally guilty of protectionism. Toyota's losses in 1976, for instance, had been made good by government subsidies.

The Japanese share of the American car market had risen from 2% to 26%. The Volkswagen factories in the USA had also made losses in 1976 which were compensated by subsidies from the German government. Mr AIGNER disputed the claim that the Volkswagen factory had received subsidies from the German government. He enquired how the 1,200 million dollars for research into biomass sources were to be spent and asked whether there were any research projects in the field of plasma physics. As alcohol fuels were exempt from tax in the USA he asked how mixtures would be taxed. Mr VENTO (Dem. Minnesota) explained that the 1,200 million dollars for biomass were to be a long term subsidy. Gasohol would not be taxed even if it was a mixture of alcohol fuel and traditional fuels. There had been a real move towards an energy policy in the USA. Price guarantees for coal and uranium were important for the future. Long-term contracts such as the Europeans were calling for were difficult to negotiate at a time when costs were continually changing. He pointed out that it was difficult in a free market economy to achieve great savings in a short time. A liberal economic system restricted opportunities to do so. The USA however were spending a great deal of money in the field of solar energy and nuclear fusion and research into gas-cooled reactors and had perfected the industrial production of synthetic fuel.

Mr LANGE expressed his concern at the accusation that the VW factory had received subsidies from Germany and requested a written explanation. He was quite sure that there had been no public aid for a German car factory. They could however borrow on the market. Mr MEYNELL, a director at the EC Commission, explained that VW had made losses because its cars were assembled in the USA. Compensation had been made for this by subsidies from the government of the State of Pennsylvania for the construction of production lines in the State. There had been no subsidy from Germany. European strategy in the car industry had been examined with reference to GATT standards and found to be above board. In conclusion, he pointed out that the European Community's balance of trade deficit with the US was expected to reach 25,000 million dollars in the current year.

Mr MADIGAN (Rep. Illinois), in replying to the questions raised informed the meeting that even if a fuel was made up of nine parts normal petrol and one part alcohol, no tax would be levied because of the ten percent alcohol content. The 1,200 million dollars for research into biomass were supplementary to the 6,000 million dollars which were already available for research. On the matter of the delivery of enriched uranium to India, he had been informed that this was the last delivery. In the USA 10 million dollars per annum were currently being spent on research into fast breeders.

The liquefaction of coal had reached the stage of commercial production. There was for example a plant in Morgantown, West Virginia, which was jointly, operated by Japan, Arab countries and a few German companies. In the coal sector there were indeed considerable problems, particularly in connection with the building of new ports. There were plans to pass a new law in this area next year. The switch from oil to coal in the USA was going ahead.

Mrs GREDAL conveyed her thanks to the participants in the debate and pointed out that a meeting of the delegation and a meal with the President of the European Parliament were planned for the following Monday. She stressed what a pleasure it had been to head the delegation and thanked the the US participants, adding how grateful she was that so many had come. She suggested that the items energy and currency be dealt with at the next meeting.

Mr FITHIAN (Dem. Indiana) thanked the chairman for her fairness and her charm. Mr PEASE (Dem. Ohio) said that the pleasure had been all his.

Mrs GREDAL thanked the interpreters and other assistants. She closed the meeting at 5.15 p.m.

Meeting between the delegations and the committee chairmen 3.45 p.m.

17 November 1980, in Strasbourg

Mrs GREDAL apologized for the delay and welcomed Mr DELORS, Chairman of the European Parliament's Committee on Economic and Monetary Affairs.

In reply to a question from Mr PEASE regarding the EMS' record and prospects, Mr DELORS said that it had worked quite well, especially against the background of the difficult international economic situation at its inception. The Member States of the Community would have been far worse off without it.

However, the sometimes very high US interest rates had had a destabilizing effect not simply on the EMS but on the international monetary system in general. The difference between the US interest rate and that in the Federal Republic of Germany in particular had built up pressure within the EMS and produced the unusual situation in which even modest speculation was enough to put the German mark under pressure despite the fact that the West German economy was the healthiest in Europe as far as inflation was concerned. Greater cooperation on economic and monetary matters between the US and the Community was needed in order to prevent decisions taken for internal reasons from adversely affecting the whole monetary system.

If the EMS were to develop a monetary reserve instrument largely unaffected by the Member States' domestic policies, it would probably make for easier cooperation and better control over the recycling of capital.

Mr DELORS also firmly believed that there could be no worthwhile talks with the oil-producing countries unless the Western world put its own house in order (especially its interest rates and inflation), and without a non-partisan dialogue between the USA and Europe.

Mr DELORS replied to a question by Mr FITHIAN that with present European interest and inflation rates, the US interest rate tended to destabilize the EMS when it went above 12 or 13%. Hot money was attracted to New York, London or Frankfurt not just by true interest rates (purchasing power) but also by nominal interest rates.

Mr DELORS replied to a question by Mr MADIGAN that the reasons for West Germany's relative success in fighting inflation lay partly in an adaptable economic structure and partly in the understanding between the various economic and social partners, including the trade unions, whose role was both moderate and influential.

Mr RICHMOND asked when a Community currency would be introduced. Mr DELORS replied that the EEC could not simply decide that its money was to become a reserve currency. The European economy as a whole was not yet capable of bearing the responsibilities entailed in issuing a reserve currency or of exercising co-leadership with the USA of the international economic and monetary system. A European reserve currency could be issued only in agreement with the USA and as part of a new international monetary system.

In response to a further question from Mr WYLIE, Mr DELORS amplified his views on the international role of a possible European reserve currency. One aim would be to ease the pressure on the dollar, whose role as the main reserve currency was restricting the American administration's internal freedom of movement, and another to provide a stable investment outlet for countries with balance of payments surpluses. By offering this facility to the more reasonable OPEC countries the West would have won a psychological battle and put the oil-producing countries in a more difficult situation. The aim would be not so much to increase the size of the reserves, as to offer security; the USA could not do this alone. If a European reserve currency was unable to meet this requirement, or to promote the recycling of capital, it would only be a complication on the international scene. Mr DELORS pointed out here that the burden on the major private banks in channelling this recycled capital was becoming dangerously large, and might well exceed their capacities.

Asked about Japan's role Mr DELORS said that over the first eight months of 1979 that country had deliberately carried out a progressive devaluation of the yen by 25% in order to encourage an export campaign, in cars and electronics in particular. First Japan conquered the market and then, when the other Western countries reacted, pointed out that the yen was rising again. But the damage had already been done. As a member of the Western World, Japan should not be allowed to disregard the rules of the game in this way; on the football field that kind of behaviour would have earned it the red card.

Mrs GREDAL thanked Mr DELORS and recalled that during the talks in Copenhagen there had been a request for the two delegations to appoint a working party to draw up a document on closer economic and monetary cooperation between the USA and the Community; the chairman of the delegations had not yet stated their views on this matter. If they agreed, Mrs GREDAL hoped that the experience and expertise of the Committee on Economic and Monetary Affairs might be drawn upon; Mr DELORS signified his assent.

Sir Fred CATHERWOOD, Chairman of the External Economic Relations Committee, made a brief introductory statement, in the course of which he said that the US Government's subsidy on petro-chemical feedstocks had hit those Northern Ireland industries which were seeking to take the place of the flax industry there, which had collapsed. In his view low fuel prices in the United States constituted the principle hindrance to international trade at that time. The United States Government had allowed themselves to be caught in the stranglehold of lack of control of the Hormuz Straits, the dollar was depreciating and low-cost US exports were being sent out onto the world market. All these events were causing unfavourable repercussions in world markets. He thus asked the US Delegation to seek to accelerate an increase in the price of fuel in the USA to European levels as soon as possible.

Mr Bruce Frank VENTO (D-Minnesota) said that the US Congress had little influence on the US economy. He thought it better to challenge OPEC rather than to increase fuel prices in the USA.

Mr Floyd J. FITHIAN (D-Indiana) said that the price of oil was increasing inflation, cutting trade, and hitting the US car industry. He asked whether the Committee on External Economic Relations or the Parliament had discussed how to face the real problem, which was the artificial pricing of oil by OPEC.

In reply Sir Fred CATHERWOOD said that the question had been put to the authorities in the United States as to why fuel prices had not been increased, and the answer had been that no one authority or body was responsible for bringing about an increase in fuel prices. He emphasised that the economies of countries in Western Europe suffered considerably from the changes in the exchange value of the dollar, therefore the need in his view was to stabilise the dollar and also seek to reduce the price of oil itself.

Mrs GREDAL then introduced Mrs SCRIVENER, rapporteur on drug abuse for the Committee on the Environment, Public Health and Consumer Protection Committee, and the Chairman, Mr COLLINS, as well as Dr SHERLOCK, member of the committee. They were invited to indicate the work that the committee was doing on drug abuse subsequent to the initiative made at the 15th Meeting in Paris in April 1979 and continued at the 16th Meeting in the United States in January 1980. Mr NEWTON DUNN asked that a message be transmitted to the appropriate people in the United States Congress in reply to various enquiries that had been made. Assurances were given that this would be done.

Mrs GREDAL then closed the session with her thanks to all the participants and gave the floor to Mr PEASE who expressed his appreciation of the interest shown in the meeting and the discussions.

The United States Congress Delegation then took their seats in the official gallery and were welcomed by the President of the European Parliament in the Parliament's traditional way.
